CONFIDENTIAL PRIVATE OFFERING MEMORANDUM

LIMITED PARTNERSHIP INTERESTS

OF

KARSCH CAPITAL II, LP

(a Delaware limited partnership)

December 2007

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM ("MEMORANDUM") IS SUBMITTED TO YOU ON A CONFIDENTIAL BASIS SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF AN INVESTMENT IN LIMITED PARTNERSHIP INTERESTS IN KARSCH CAPITAL II, LP, A DELAWARE LIMITED PARTNERSHIP. DUE TO THE CONFIDENTIAL NATURE OF THIS MEMORANDUM, ITS USE FOR ANY OTHER PURPOSE MIGHT INVOLVE SERIOUS LEGAL CONSEQUENCES. CONSEQUENTLY, THIS MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART, AND MAY NOT BE DELIVERED TO ANY PERSON (OTHER THAN YOUR FINANCIAL ADVISOR) WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER.

Memorandum Copy Number:_____

THE LIMITED PARTNERSHIP INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), SINCE THEY WILL BE OFFERED ONLY TO A LIMITED NUMBER OF QUALIFIED INVESTORS. IT IS ANTICIPATED THAT THE OFFERING AND SALE OF SUCH INTERESTS WILL BE EXEMPT FROM REGISTRATION PURSUANT TO REGULATION D OF THE SECURITIES ACT.

THESE INTERESTS HAVE NOT BEEN APPROVED, RECOMMENDED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THESE OFFERING MATERIALS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR A SUBSTANTIAL PERIOD OF TIME.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH AN OFFER OR SOLICITATION IS NOT AUTHORIZED.

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE INTENDED OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN OR THE TAX CONSEQUENCES FROM AN INVESTMENT IN THE PARTNERSHIP. NO ASSURANCE CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED OR INTERPRETED ADVERSELY TO THE PARTNERSHIP OR THE PARTNERS. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THIS MEMORANDUM AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS OWN COUNSEL AND ACCOUNTANT FOR ADVICE CONCERNING THE VARIOUS LEGAL, TAX AND ECONOMIC CONSIDERATIONS RELATING TO HIS INVESTMENT.

NO PERSON OTHER THAN KARSCH ASSOCIATES, LLC (THE "GENERAL PARTNER") HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR GIVE ANY INFORMATION, WITH RESPECT TO THESE LIMITED PARTNERSHIP INTERESTS, EXCEPT THE INFORMATION CONTAINED HEREIN, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN, IN THE LIMITED PARTNERSHIP AGREEMENT OR IN OTHER DOCUMENTS DISTRIBUTED BY THE GENERAL PARTNER AND THE PARTNERSHIP MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP OR ANY OF ITS PARTNERS. ANY FURTHER DISTRIBUTION OR REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, IS PROHIBITED.

A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR LIMITED PARTNERSHIP INTERESTS UNLESS SATISFIED THAT HE OR HE AND HIS INVESTMENT REPRESENTATIVE HAVE ASKED FOR AND RECEIVED ALL INFORMATION WHICH WOULD ENABLE HIM OR BOTH OF THEM TO EVALUATE THE MERITS AND RISKS OF THE PROPOSED INVESTMENT.

THE PARTNERSHIP SHALL MAKE AVAILABLE TO EACH INVESTOR OR HIS AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY INTERESTS, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM REPRESENTATIVES OF THE GENERAL PARTNER CONCERNING ANY ASPECT OF THE PARTNERSHIP AND ITS PROPOSED BUSINESS AND TO OBTAIN ANY ADDITIONAL RELATED INFORMATION TO THE EXTENT THE PARTNERSHIP POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

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1. SUMMARY

The following is a summary of the more detailed information contained elsewhere in this Confidential Private Offering Memorandum (this "Memorandum") and is qualified in its entirety by reference to such information and to the Limited Partnership Agreement of Karsch Capital II, LP (the "Partnership Agreement").

The Partnership	Karsch Capital II, LP (the "Partnership") is a Delaware limited partnership formed for the purpose of investing its assets and liabilities in accordance with the investment program set forth in this Memorandum.
Investment Objective	The investment objective of the Partnership is to achieve capital appreciation while minimizing risk by investing (on the long and short sides) primarily in equities and equity-related instruments. The primary geographic focus will be the United States and, to a lesser extent, other developed economies, while the secondary geographic focus will be in developing countries. There can be no assurances that the Partnership will achieve its investment objective.
The General Partner	The general partner of the Partnership is Karsch Associates, LLC, a Delaware limited liability company (the "General Partner"). Mr. Michael A. Karsch is the Managing Member of the General Partner. From 1998 to 2000, Mr. Karsch worked at Soros Fund Management LLC and was responsible for investments in consumer services and special situations. In November 1999, he was named a Managing Director at Soros. From 1995 to 1998, he was one of four investment professionals at Chieftain Capital Management. Mr. Karsch has invested the large majority of his liquid net worth in the Partnership and its affiliates.
The Management Company	The General Partner has delegated duties relating to investment management functions to Karsch Capital Management, LP, a Delaware limited partnership, which serves as the management company (the "Management Company") to the Partnership. The Management Company is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). The general partner of the Management Company is Karsch Management GP, LLC and the managing member of such entity is Michael A. Karsch.
Risk Factors	An investment in the Partnership involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment. There can be no assurance that the Partnership will achieve its investment objective. An investment in the Partnership carries with it the inherent risks associated with investments in equity and equity-related securities, as well as additional risks including, but not limited to, those associated with non-diversification, options, leverage, illiquid investments and short sales. See "Risk Factors" below. Each prospective Limited Partner should carefully review this Memorandum and the documents referred to herein before deciding to invest in the

Partnership.

Capital Accounts

The Partnership will establish and maintain on its books a capital account (the "Capital Account") for each Partner to which such Partner's capital contributions to the Partnership (each, a "Capital Contribution") will be credited.

All net profits and net losses of the Partnership (including realized and unrealized gains and losses) will generally be allocated to the investors admitted to the Partnership as limited partners (each, a "Limited Partner") and the General Partner (together with the "Limited Partners," the "Partners") in accordance with the ratio of their Capital Account balances (other than with respect to new issues profits and losses and the Incentive Allocation, if appropriate). Unless an exemption is available, Limited Partners who are Restricted Persons (within the meaning of the FINRA, Inc. Rule 2790) will not participate in any new issue investment made by the Partnership.

Incentive Allocation to the General Partner

For each fiscal year, there will be reallocated to the General Partner from the Capital Account of each Limited Partner 20% of each Limited Partner's share of net profits, if any, subject to a loss carryforward provision (the "Incentive Allocation"). The Incentive Allocation may be waived or reduced by the General Partner with respect to any Limited Partner for any period in the General Partner's sole and absolute discretion, including with respect to the Limited Partners who are employees of the General Partner and/or the Management Company.

Management Fee

The Management Company receives a quarterly management fee (the "Management Fee") calculated at the quarterly rate of (i) .250% of each Limited Partner's Capital Account (i.e., 1.0% per annum) for Capital Contributions made before March 1, 2004; and (ii) 0.375% of each Limited Partner's Capital Account (i.e., 1.5% per annum) for Capital Contributions made on or after March 1, 2004 (adjusted for contributions made during the quarter). The Management Fee will be paid quarterly in advance based on the value of each Limited Partner's Capital Account as of the beginning of the quarter. The Management Fee will be prorated for any period that is less than a full fiscal quarter. The Management Fee will be available to pay or cause to pay the overhead expenses described in Section 5 below. The Management Fee may be waived or reduced by the General Partner in consultation with the Management Company with respect to any Limited Partner (including with respect to the employees of the General Partner or the Management Company, as appropriate) for any period that the General Partner determines is appropriate.

Expenses

The Management Company is responsible for and pays the following "overhead expenses" of the Partnership: office rent and related utilities; furniture and fixtures; computer hardware; stationery; secretarial/administrative services; salaries; entertainment expenses; and employee insurance and payroll taxes. All other expenses shall be paid by the Partnership and shall include: the Management Fee; legal, audit, accounting and

tax preparation and other professional expenses; organizational expenses; quotation services, research fees and expenses (including research-related travel fees and expenses); investment expenses such as commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, fees and expenses of investment vehicles in which the Partnership may invest, and; any other expenses reasonably related to the purchase, sale or transmittal of Partnership assets; the Management Company's registration and compliance expenses incurred in connection with the Management Company's registration under the Advisers Act and other expenses related to the Partnership, including extraordinary expenses. Organizational expenses of the Partnership have been amortized over a period of five years from the commencement of the Partnership's operations.

The Offering

The Partnership is offering limited partnership interests to certain qualified investors as described herein and in the Subscription Agreement. Admission as a Limited Partner in the Partnership is not open to the general public and interests in the Partnership are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended ("Regulation D"). Each prospective Limited Partner will generally be required to represent, among other things, that it is an "accredited investor" as such term is defined in Rule 501 of Regulation D and a "qualified purchaser" as such term is defined in Section 2(a)(51) under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "1940 Act"). The minimum initial Capital Contribution is $1,000,000, subject to change at the discretion of the General Partner. The Partnership will generally accept new or additional Capital Contributions on the first business day of a calendar quarter, however, the General Partner reserves the right, at its sole discretion, to accept Capital Contributions at other times. For purposes of this Memorandum, "business day" shall mean any day that banks are open for business in New York.

Withdrawals

A Limited Partner may, upon at least 30 calendar days' prior written notice, withdraw all or any part of the capital in its Capital Account on the last business day of each calendar quarter, provided, however, that any Limited Partner who withdraws capital prior to the first anniversary of the investment of such capital in the Partnership may, in the discretion of the General Partner, be assessed a withdrawal fee of up to (i) 2.5% (for Capital Contributions made prior to May 1, 2004); and (ii) 3% (for Capital Contributions made on or after May 1, 2004) on such withdrawn amount payable to the Partnership.

In addition, each Limited Partner will be permitted to withdraw completely from the Partnership at any time if Mr. Karsch dies or becomes disabled (so that he is unable to perform his duties as portfolio manager of the Management Company for at least 90 consecutive calendar days). Such special withdrawal right is exercisable by delivery of written notice to the Partnership within 30 calendar days after the Limited Partners are sent notice of the

	events in the preceding sentence. The General Partner may withdraw all or any part of the capital in its Capital Account at the same times as may Limited Partners; provided, however, that at all times it shall maintain a Capital Account equal to no less than the lesser of $100,000 or 1% of the Capital Accounts of the Partners.
Valuation	Partnership investments will be valued in accordance with the relevant provisions of Section 10 of this Memorandum.
Placement Agents	The General Partner may, with the Management Company's consent, pay and/or allocate a portion of its or the Management Company's compensation to persons (whether or not affiliated with the General Partner and/or the Management Company) who are instrumental in the sale of Partnership's interests. Any such fees or allocations will not be payable by or chargeable to the Partnership, any Limited Partner or prospective Limited Partner.
Restrictions on Transfer	A Limited Partner may not pledge, assign, sell, exchange or transfer its interest except with the prior written consent of the General Partner.
Reports	Each Limited Partner receives unaudited reports of the performance of the Partnership at least quarterly and receives audited year-end financial statements annually. In addition, each Limited Partner may receive other periodic reports concerning material portfolio developments, including monthly and weekly estimated net asset value reports.
Regulatory Matters	The Partnership is not registered as an investment company under the 1940 Act. As a result, certain protections of the 1940 Act (which, among other matters, require investment companies to have disinterested directors, require securities to be held in special custody arrangements and regulate the relationship between the adviser and the investment company) will not be afforded to the Partnership or the Limited Partners.
ERISA Matters	An authorized fiduciary of an employee benefit plan proposing to invest in the Partnership should consider whether that investment is consistent with the terms of the plan's governing documents and applicable law. As discussed in greater detail below, the Partnership intends to restrict investments in limited partnership interests by "benefit plan investors," as that term is defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") so that such benefit plan investors will not hold 25% or more of the value of any class of limited partnership interests. Accordingly, it is not expected that the assets of the Partnership will be treated as "plan assets" for purposes of the fiduciary responsibility standards and prohibited transaction restrictions of ERISA or the parallel prohibited transaction excise tax provisions of Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"). See "ERISA Considerations."

Tax Matters	The Partnership will be treated as a partnership for Federal income tax purposes. Partnership borrowings for investment purposes or to meet withdrawal requests will cause the Partnership to have "debt financed property" resulting in UBTI to tax-exempt Limited Partners. Accordingly, an investment in the Partnership may not be appropriate for tax-exempt organizations. Prospective Limited Partners should consult their own tax advisors with specific reference to their own situation as it relates to an investment in the Partnership.
Counsel	Kirkpatrick & Lockhart Preston Gates Ellis LLP 599 Lexington Avenue New York, New York 10022
Auditors	McGladrey & Pullen LLP 1185 Avenue of the Americas New York, New York 10036
Additional Information	Each prospective investor is invited to meet with representatives of the Partnership, the General Partner and the Management Company to discuss with them, and to ask questions of and receive answers from them, concerning the terms and conditions of this offering of limited partnership interests, and to obtain any additional information, to the extent that any of those persons possesses that information or can acquire it without unreasonable effort or expense, necessary to verify the information contained herein.

2. INTRODUCTION

Karsch Capital II, LP is a Delaware limited partnership (the "Partnership") formed for the purpose of investing its assets and liabilities in accordance with the investment program set forth in this Memorandum and as permitted by the Partnership Agreement. Karsch Associates, LLC, a Delaware limited liability company, is the general partner of the Partnership (the "General Partner"), and will be responsible for managing the Partnership. The General Partner has delegated duties relating to investment management functions to Karsch Capital Management, LP, a Delaware limited partnership, which serves as the management company (the "Management Company"). The Management Company is registered as an investment adviser under the Advisers Act. The principal and Managing Member of both the General Partner and the general partner of the Management Company is Michael A. Karsch.

This Memorandum sets forth the investment program and method of operation of the Partnership, the principal terms of the Partnership Agreement and certain other pertinent information. **However**, the Memorandum does not set forth all the provisions and distinctions of the Partnership Agreement that may be significant to a particular prospective Limited Partner. Each prospective Limited Partner should examine this Memorandum, the Partnership Agreement and the Subscription Agreement accompanying this Memorandum in order to assure himself that the terms of the Partnership Agreement and the Partnership's investment objective and investment philosophy are satisfactory to him. See Section 8, "Admission of Partners; Capital Contributions."

3. INVESTMENT PROGRAM

Investment Objective

The investment objective of the Partnership is to achieve capital appreciation while minimizing risk by investing (on the long and short sides) primarily in equities and equity-related instruments. The Management Company may expand the Partnership's investment focus to cover other investment opportunities as they arise. The primary geographic focus will be the United States and, to a lesser extent, other developed economies, while the secondary geographic focus will be in developing countries.

Investment Strategy

The Management Company believes that there are three primary drivers of stock prices: (i) the direction of the overall stock market; (ii) both the short-term and the long-term potential of the industry in which a specific company operates; and (iii) the current performance and future prospects of a specific company itself.

The Management Company will generally seek to find companies on the long side that it believes have strong market positions in vibrant industries. However, in certain cases, the Management Company may take long positions in securities in an industry that appears to be performing below average if the Management Company believes that the industry is improving to such an extent that its near-term potential counters an otherwise mixed view on the industry. Additionally, the Management Company may take long positions in an industry that is perceived to be underperforming when valuations of companies are so compelling that they are able to counter the Management Company's negative, neutral or mixed view. Finally, the Management Company may also invest on the long side in sub-par companies that operate in an industry that the Management Company considers vibrant enough to offset the negative characteristics of the company.

The Management Company will generally seek to find companies on the short side that it believes the market is overly optimistic about and for which there is an identifiable catalyst which may prompt the market to reconsider the company's valuation. However, in certain cases and in the absence of more obvious catalysts, the Management Company may still take short positions in companies that display certain characteristics, including, but not limited to: (i) operations in an industry with poor or deteriorating conditions; (ii) excessive valuation; (iii) poor or deteriorating free cash flow and/or return on capital; and (iv) poor or weakening balance sheet.

Intense research is an important part of the investment strategy. Research will focus on industry and company specific analysis. This will be accomplished by examining corporate filings (i.e., S1, 8K, 10K, 10Q, 13D, proxy statements), meeting with management, speaking with industry contacts, attending industry conventions and investor conferences, evaluating competitors and channel checks, reviewing media and industry publications, relying on industry experts, and studying technical charts. Sell-side research and the Management Company's network of other investment professionals will be utilized to the extent that it will help test the Management Company's independent findings.

A range of analytical and financial measurements will be used to help gauge a company's valuation. A key calculation may be discounted cash flow analysis, because it helps understand a company by taking into account its expected growth rate and ability to generate free cash flow; however, in certain cases, other financial measurements (e.g., P/E ratio, enterprise value as a multiple of EBITDA and free cash multiple) may be used as a proxy. Another important calculation is return on invested capital because it helps to understand the quality of a company's business and the effectiveness of its management. The balance sheet will be examined to evaluate a company's cash conversion cycle (i.e., days inventory, receivables and payables) and its capital structure. Other measurements that will be utilized include: sum of the parts, book value and industry specific matrices.

Risk management will be a significant consideration in making investment decisions. It will be managed through the use of options, ETFs, swaps, including basket swaps and credit default swaps, pair trades, stop losses and position limits. Specific issues include: drawdown, leverage, market conditions, and market exposure and portfolio diversification.

While the Management Company does not consider itself a "market timer", the Partnership's net exposure has ranged between approximately 75% net long and approximately 15% net short since inception, and there may be periods of time when the Management Company will manage the Partnership's portfolio to a specific net exposure.

General

The Management Company intends to pursue the investment objective described above and will generally follow the outlined investment strategies as long as such strategies are in accordance with the Partnership's investment approaches and may also formulate new approaches to carry out the overall objective of the Partnership (i.e., the achievement of capital appreciation while minimizing risk by investing (on the long and short sides) in equities and equity-related instruments).

While it is anticipated that the Partnership will invest primarily in equity securities and equity-related instruments, the Partnership has broad and flexible investment authority. Accordingly, the Partnership's investments may at any time include U.S. or foreign, long or short positions in publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate and U.S. government debt, bonds, notes or other debentures or debt participations, convertible securities, fixed income securities, trade claims, swaps, including total return swaps, options (purchased or written), futures contracts, commodities, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies. The Partnership may also invest in new issues of securities ("new issues"), provided that the Partnership first complies with all of the rules and regulations pertaining to such investments, including the Conduct Rules of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Finally, the Partnership may utilize leverage, generally within the parameters of Regulation T of the Federal Reserve's margin rules (i.e., 50%), to enhance returns.

The Partnership may also, from time to time, invest in private or restricted securities or investments (as determined by the General Partner in its sole discretion), but in no event shall more than 3% of the Partnership's total net asset value (computed at the time of investment) be invested in such private or restricted securities or investments.

THE PARTNERSHIP MAY BE DEEMED TO BE A HIGHLY SPECULATIVE INVESTMENT AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. IT IS DESIGNED ONLY FOR SOPHISTICATED PERSONS WHO CAN BEAR THE ECONOMIC RISK OF THE LOSS OF THEIR INVESTMENT IN THE PARTNERSHIP AND WHO HAVE LIMITED NEED FOR LIQUIDITY. THERE CAN BE NO ASSURANCES THAT THE PARTNERSHIP WILL ACHIEVE ITS INVESTMENT OBJECTIVE.

4. MANAGEMENT

The Partnership will be managed by its General Partner, Karsch Associates, LLC, a Delaware limited liability company. The General Partner has delegated duties relating to investment management functions to Karsch Capital Management, LP, a Delaware limited partnership, which serves as the management company of the Partnership. The Management Company is registered as an investment adviser under the Advisers Act. The general partner of the Management Company is Karsch Management GP, LLC. The principal and Managing Member of both the General Partner and the general partner of the Management Company is Michael A. Karsch. The Management Company also serves as (i) the management company of Karsch Capital I, LP and KCM Alpha Only Fund, LP, U.S. limited partnerships; (ii) the investment manager of Karsch Capital, Ltd., Karsch Capital II, Ltd. and KCM Alpha Only Fund, Ltd., Cayman Islands exempted companies; and (iii) the investment manager to certain managed accounts. The General Partner also acts as the general partner to Karsch Capital I, LP and KCM Alpha Only Fund, LP. Set forth below are the biographies of Michael A. Karsch and certain other key personnel of the General Partner and the Management Company.

Michael A. Karsch

Mr. Karsch is the Managing Member of both the General Partner and the general partner of the Management Company. Mr. Karsch founded the Management Company in July 2000. Prior to founding the Management Company, Mr. Karsch worked at Soros Fund Management LLC as a Managing Director, where Mr. Karsch was responsible for investments in consumer services and special situations for the Quantum Fund. From 1995 to 1998, Mr. Karsch was one of four investment professionals at Chieftain Capital Management. From 1991 to 1993, he was an investment banking analyst at Wasserstein Perella & Co. Mr. Karsch graduated *Phi Beta Kappa* with a B.A. from Tufts University in 1990. He obtained his Master of Arts in Law and Diplomacy from Fletcher School of Law and Diplomacy in 1991. Mr. Karsch obtained his M.B.A. from Harvard Business School In 1995.

Aaron Cowen

Mr. Cowen is a Managing Director of the General Partner and the Management Company. Mr. Cowen joined the Management Company in January 2002 and heads the Value Group. Mr. Cowen has direct investment experience in equities and debt on both the buy and sell sides. His buy-side experience includes several years at two hedge funds, the Baupost Group and Paloma Partners. Mr. Cowen started his career at Lehman Brothers as a distressed and high yield debt analyst focusing mostly on proprietary investments. Mr. Cowen graduated *Summa Cum Laude* with a B.S. in Engineering and a B.S. in Economics from the University of Pennsylvania in 1994. Mr. Cowen obtained his M.B.A. from MIT Sloan School of Management in 2002.

Ravee Mehta

Mr. Mehta is a Managing Director of the General Partner and the Management Company. Mr. Mehta joined the Management Company in October 2002. Prior to joining the Management Company, he was employed at Soros Fund Management LLC. Mr. Mehta was responsible for evaluating long/short investment opportunities within equities in the Technology and Telecom sectors globally. From 1999 to June 2001, Mr. Mehta worked at Soros Private Equity Partners. Mr. Mehta graduated *Summa Cum Laude* with a B.S. in Economics and a B.S.E. in Systems Engineering from the University of Pennsylvania in 1997.

Ryan Renteria

Mr. Renteria is a Managing Director for the General Partner and the Management Company. Mr. Renteria joined the Management Company in August 2005 and heads the Retail Group. Mr. Renteria was previously a Senior Analyst and Portfolio Manager at Balyasny Asset Management, and started his career on the sell-side as a Research Analyst at Goldman Sachs; he focused on the Hardlines Retail sector at both firms. Mr. Renteria obtained his B.A. in Economics from Stanford University in 2001.

Rick Singh

Mr. Singh is a Managing Director of the General Partner and the Management Company. Mr. Singh was the first analyst to join the Management Company in 2000 and spent over 5 years with the Management Company focusing on business services and consumer (non-retail) stocks. Mr. Singh spent 2006 as a Partner at Standard Pacific Capital, LLC and rejoined the Management Company in 2007. Prior to joining the Management Company in 2000, he was employed at Salomon Smith Barney as a financial analyst in the Mergers and Acquisitions Group. Mr. Singh graduated with distinction from the University of Virginia in 1998 with a B.S. in Finance and Marketing.

John Larre

Mr. Larre is the Chief Financial Officer of the General Partner and the Management Company. Mr. Larre joined the Management Company in July 2000. Prior to joining the Management Company, he was employed as Chief Financial Officer at Lawhill Capital Partners LLC, a start-up fund specializing in cyclical and commodity related equities. Mr. Larre was responsible for all finance and fund accounting and the development of the entire office infrastructure. From 1993 to 1996, Mr. Larre was a Manager in the Controllers Department at Morgan Stanley Dean Witter supporting the Securities Lending and Prime Brokerage areas. Mr. Larre began his career in public accounting at KPMG, from 1991 to 1993, and earned his CPA. Mr. Larre obtained his B.A. in accounting from Villanova University in 1991.

Brian Holmes

Mr. Holmes is the Chief Compliance Officer of the Management Company. Mr. Holmes joined the Management Company in July of 2005. Prior to joining the Management Company, he was employed at UBS Financial Services, Inc. as Corporate Vice President, Assistant Director of Compliance. Mr. Holmes was responsible for compliance issues relating to investment advisory products and services offered by UBS. Mr. Holmes began his career in compliance in 1997 at DLJdirect, Inc., a subsidiary of Donaldson, Lufkin and Jenrette Securities Corporation. Mr. Holmes is designated as a Certified Regulatory and Compliance Professional (CRCP) by the FINRA Institute and the Wharton School of Business and is designated as an Investment Adviser Certified Compliance Professional (IACCP) by the Investment Adviser Association and National Regulatory Services. Mr. Holmes obtained his B.S. in Finance from Manhattan College in 1995.

Each of the General Partner and the Management Company will use its best efforts in connection with the purposes and objectives of the Partnership and will devote as much of its time and effort to the affairs of the Partnership as may, in its judgment, be necessary to accomplish the purposes of the Partnership. The Partnership Agreement specifically provides that the General Partner, the Management Company and their respective principals, officers, employees and affiliates may conduct any other business including any business within the securities industry whether or not such business is consistent with the business of the Partnership. Without limiting the generality of the foregoing, each of the General Partner, the Management Company and their respective principals, officers, employees and affiliates may act as investment adviser or Management Company for others, may manage funds or capital for others, and may serve as an officer, manager, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. In this regard, the funds currently managed by the Management Company, with the exception of Karsch Capital II, Ltd., Karsch Capital I, LP and Karsch Capital, Ltd. (which are intended to be managed substantially pari passu with the Partnership), have somewhat similar, but not identical investment programs and methods of operation to that of the

Partnership. In addition, other entities or accounts may have investment objectives or may implement investment strategies similar to or different from those of the Partnership. The Management Company and its affiliates may also, through other investments, including these or other investment funds, have interests in the securities in which the Partnership invests as well as interests in investments in which the Partnership does not invest. The Management Company and its affiliates may give advice or take action with respect to such funds, other entities or accounts that differs from the advice given with respect to the Partnership. It is also possible that the same investment positions held by the Partnership and by the other clients and accounts will not be liquidated at the same time or at the same prices.

5. MANAGEMENT FEE; EXPENSES

Management Fee

The Management Company will receive a quarterly management fee (the "Management Fee") calculated at the quarterly rate of (i) .250% of each Limited Partner's Capital Account (i.e., 1.0% per annum) for Capital Contributions made before March 1, 2004; and (ii) 0.375% of each Limited Partner's Capital Account (i.e., 1.5% per annum) for Capital Contributions made on or after March 1, 2004. The Management Fee will be paid quarterly in advance based on the value of each Limited Partner's Capital Account as of the first day of such calendar quarter (adjusted for contributions made during the quarter). The Management Fee will be prorated for any period that is less than a full fiscal quarter. Notwithstanding the foregoing, the General Partner in consultation with the Management Company may waive or reduce the Management Fee with regard to any Limited Partner (including employees of the General Partner and/or the Management Company) in its sole and absolute discretion for any period that the General Partner determines is appropriate.

Expenses

The Management Company will be responsible for and will pay or cause to be paid the following "overhead expenses" of the Partnership: office rent and related utilities; furniture and fixtures; computer hardware; stationery; secretarial/administrative services; salaries; entertainment expenses; and employee insurance and payroll taxes. All other expenses shall be paid by the Partnership and shall include: the Management Fee; legal, audit, tax preparation and accounting expenses and other professional expenses; organizational expenses; quotation services, research fees and expenses (including research-related travel fees and expenses); investment expenses such as commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, fees and expenses of investment vehicles in which the Partnership may invest; any other expenses reasonably related to the purchase, sale or transmittal of Partnership assets; the Management Company's registration and compliance expenses incurred in connection with the Management Company's registration under the Advisers Act and other expenses related to the Partnership, including extraordinary expenses.

The organizational expenses of the Partnership (including expenses of the initial offer and sale of limited partnership interests) have been paid by the Partnership and have been amortized over a period of 60 months from the date the Partnership commenced operations.

6. ALLOCATION OF NET PROFITS AND NET LOSSES; PURCHASE OF "NEW ISSUES"; PRIOR FISCAL PERIOD ITEMS

The Partnership will establish and maintain on its books a Capital Account for each Partner to which such Partner's Capital Contributions to the Partnership will be credited. Other than with respect to new issues profits and losses and the General Partner's Incentive Allocation, as appropriate the net profit or net loss of the Partnership as of the end of each fiscal period (as defined below) will be allocated to the General Partner and each Limited Partner in the proportion which each of their Capital Account balances as of the beginning of that fiscal period bore to the aggregate of all the Capital Accounts as of the beginning of that fiscal period. Net profit and net loss of the Partnership is determined on the accrual basis of accounting using GAAP as a guideline and is deemed to include net unrealized profits or losses on investment

positions as of the end of each fiscal period. A "fiscal period" shall begin on (i) the first day of the fiscal year (see below), (ii) any Capital Contribution date, and (iii) any date following a withdrawal date. A "fiscal period" shall end on the date immediately preceding the dates set forth in the immediately preceding sentence.

Incentive Allocation to the General Partner

Subject to the "loss carryforward" provision discussed below, if for any fiscal year a Limited Partner has a net profit, an amount equal to 20% of such net profit (the "Incentive Allocation") shall be deducted from the Limited Partner's Capital Account as of the end of such fiscal year and reallocated to the General Partner's Capital Account. In the event that a Partner withdraws its capital or is required to retire at any time other than at the end of a fiscal year, such deduction will be made with respect to such Partner at the time of such withdrawal or retirement as though it were being made at the end of a fiscal year. The Partnership's fiscal year will end on December 31 of each year. Notwithstanding the foregoing, the General Partner may waive or reduce the Incentive Allocation with regard to any Limited Partner (including any employees of the General Partner and/or the Management Company) in its sole and absolute discretion for any period that the General Partner determines is appropriate.

Under a loss carryforward provision contained in the Partnership Agreement, no deduction with respect to the General Partner's percentage of any net profits will be made from the Capital Account of a particular Limited Partner with respect to a fiscal year until any net losses previously allocated to the Capital Account of such Limited Partner have been offset by subsequent net profits allocated to the Capital Account of such Limited Partner. Any such loss carryforward will be subject to reduction for withdrawals in the manner described in the Partnership Agreement.

Purchase of "New Issues"

From time to time, the Partnership may, to the extent permitted by the FINRA Rules, as may be amended from time to time (the "Rules"), purchase equity securities that are part of an initial public offering (sometimes referred to as "IPOs" or "new issues"). Under the Rules, brokers generally may not sell such securities to a private investment fund, if the fund has investors who are "Restricted Persons", which category includes persons employed by or affiliated with a broker and portfolio managers of hedge funds and other registered and unregistered investment advisory firms, unless the Partnership has a mechanism in place that excludes such Restricted Persons from receiving allocations of profits from new issues or unless otherwise permitted by applicable law. The profits and losses with respect to new issues will generally be allocated to investors in the Partnership that are not Restricted Persons. The Partnership may, however, avail itself of a "de minimis" exemption pursuant to which a portion of any new issue profits and losses may be allocated to Restricted Persons. The Partnership Agreement provides that the General Partner is authorized to determine, among other things: (i) the manner in which new issues are purchased, held, transferred and sold by the Partnership and any adjustments with respect thereto (including interest); (ii) the Partners who are eligible and ineligible to participate in new issues; (iii) the method by which profits and losses from new issues are to be allocated among Partners in a manner that is permitted under the Rules (including whether the Partnership will avail itself of the "de minimis" exemption or any other exemption); and (iv) the time at which new issues are no longer considered as such under the Rules.

Prior Fiscal Period Items

In general, and notwithstanding any of the allocation rules discussed above, if the Partnership has a material item of income or loss (as defined in the Partnership Agreement) in any fiscal period which relates to a matter or transaction occurring during a prior fiscal period (e.g., if the Partnership obtains a cash settlement attributable to a stock it owned during a prior year) the item of income or loss may, at the sole discretion of the General Partner, be shared among the Partners (including persons who have ceased to be Partners) in accordance with their interest in the Partnership during the prior period. A person who has ceased to be a Partner will be liable for his proportionate share of prior fiscal period items and shall pay such share on demand but the amount to be paid shall not exceed the amount of such

Partner's Capital Account at the time such prior fiscal period item arose. As a consequence of the foregoing, withdrawals may be subject to a reserve, discussed in further detail below.

7. RISK FACTORS

The Partnership may be deemed to be a highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their investment in the Partnership and who have limited need for liquidity. The following risks should be carefully evaluated before making an investment in the Partnership:

Nature of Investments. The Management Company will have broad discretion in making investments for the Partnership. Investments will generally consist of publicly-traded equity securities and other assets that have significant risks as a result of business, financial market or other uncertainties. There can be no assurance that the Management Company will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Partnership's activities and the value of its investments. No guarantee or representation is made that the Partnership's investment objective will be achieved.

Special Situations. The Partnership may invest in companies involved in (or the target of) acquisition attempts, tender offers or exchange offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction will either be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Partnership of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Partnership may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Partnership may invest, there is a potential risk of loss by the Partnership of its entire investment in such companies.

High Growth Industry Related Risks. The Partnership may have investments in the securities of high growth companies. These securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

Portfolio Turnover. The investment strategy of the Partnership may involve the taking of frequent trading positions, and, as a result, turnover and brokerage commission expenses of the Partnership may significantly exceed those of other investment entities of comparable size.

Leverage. As noted above, the Partnership may utilize leverage generally within the parameters of Regulation T of the Federal Reserve's margin rules. Although the use of leverage increases returns to investors if the Partnership earns a greater return on the investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to investors if the Partnership fails to earn as much on such investments as it pays for such funds.

Portfolio Concentration. The Partnership's portfolio may be more concentrated than other investment vehicles. Accordingly, the portfolio of the Partnership may be subject to more rapid change in value than would be the case if the Partnership's portfolio were less concentrated.

Options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks.

Derivatives. Derivatives, swaps and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty, absence of direct ownership or control of underlying investments, illiquidity, leverage and delay in payments to the Partnership upon termination of portions of such derivatives instruments which the Partnership may require in order to fund withdrawals.

Swap Agreements. The Management Company may enter into equity, interest rate, index, currency rate swap and other agreements on behalf of the Partnership. These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost than if the Partnership had invested directly in the asset that yielded the desired return. The Management Company anticipates that the risk of loss with respect to most swaps the Partnership would enter into would be limited to the net amount of payments that the Partnership is contractually obligated to make. If the other party to a swap defaults, the risk of loss of the Partnership consists of the net amount of payments that the Partnership contractually is entitled to receive.

Exchange Traded Funds (ETFs). ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indices, either broad stock market, stock industry sector, international stock, or U.S. bond. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors.

Short Sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Partnership's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Small to Medium Capitalization Companies. The Partnership may invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. While the Management Company believes they often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Non-U.S. Securities. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations may include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Trading in Futures Contracts. Trading in futures contracts and options thereon are highly specialized activities which while they may increase the total return in the Partnership's investments, may entail greater than ordinary investment risks.

Risks of Investing with Other Managers

Increased Fees and Expenses. Investment through other investment funds may increase the Partnership's fees and expenses, since the Partnership will be obligated to pay its own fees and expenses as well as its pro-rata share of the fees and expenses of the managers of such funds and the investment funds they operate. This "layering" of fees and expenses results in higher costs to the Partnership, and ultimately, the Limited Partners than if the Partnership exclusively invested directly in the underlying securities.

Lack of Control. If the Management Company invests the Partnership's assets in other investment vehicles, the Partnership will generally be a minority investor in such investment vehicles, and thus will lack control over the managers of such investment vehicles. The investment funds and/or their managers could: (a) change trading policies, strategies and traders without prior notice to the Partnership; (b) substantially restrict the ability of their investors to withdraw their capital; (c) be new ventures with little or no operating history; and (d) use leverage or derivatives aggressively.

Difficulty of Monitoring Investments. If the Management Company invests the Partnership's assets in other investment vehicles, although the Management Company will monitor the performance of such investment vehicles, it must ultimately rely on (i) the principals of each investment entity to operate in accordance with the investment strategy or the guidelines laid out by such persons; and (ii) the accuracy of the information provided by them. If a manager of such investment vehicle does not invest in accordance with the stated investment strategy or guidelines of a particular investment vehicle or a fund, or if the information it furnishes to the Management Company is not accurate, the Partnership might sustain losses with respect to its investment.

Custodial Risks. Although the Management Company exercises care in the selection of investment vehicles, there is the remote risk of fraud involving the investment funds in which the Partnership invests. This risk may be increased by the fact that the pools in which the Partnership may invest will be private and will not have registered the interests therein that may be acquired by the Partnership under federal or state law.

Valuation of Partnership Investments. Valuation of the Partnership's investments (which will indirectly determine the amount of the Management Fee and the Incentive Allocation) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the Capital Accounts of the Limited Partners could be adversely affected. Independent pricing information may not at times be available with respect to certain of the Partnership's securities and other investments. Accordingly, while the General Partner and/or the Management Company will use their best efforts to value all investments in the Partnership fairly, certain investments may be difficult to value and may be subject to varying interpretations of value.

New Issues. The Partnership may invest or trade in new issues. Unless an exemption is available, any limited partnership interests owned by a Limited Partner that is a Restricted Person as defined in the FINRA Rule 2790 will not participate in any new issue investment made by the Partnership.

Failure of Prime Broker, Other Broker-Dealers. Institutions, such as brokerage firms or banks, may hold certain of the Partnership's assets in "street name." Bankruptcy or fraud at one of these institutions, in particular, the Partnership's prime broker which would hold the majority of the Partnership's assets, could impair the operational capabilities or the capital position of the Partnership.

In addition, as the Partnership may borrow money or securities or utilize operational leverage with respect to their assets, the Partnership will post certain of their assets as collateral securing the obligations or

leverage ("Margin Securities"). The Partnership's prime broker generally holds the Margin Securities on a commingled basis with margin securities of its other customers and may use certain of the Margin Securities to generate cash to fund the Partnership's leverage, including pledging such Margin Securities. Some or all of the Margin Securities may be available to creditors of the Partnership's prime broker in the event of its insolvency. The Partnership's prime broker has netting and set off rights over all the assets held by it (which may indirectly include amounts held for the Partnership's benefit in the special segregated bank account) to satisfy the Partnership's obligations under its agreements with the Partnership's prime broker, including obligations relating to any margin or short positions.

Lack of Liquidity of Partnership Assets. Partnership assets may, at any given time, include securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to accurately value any such investments. It should be noted, however, that illiquid investments (as determined in the sole discretion of the General Partner) will not make up more than 3% of the Partnership's net assets (measured at the time of investment).

In some cases and in the event of extreme market activity, the Partnership may not be able to liquidate their investments promptly if the need should arise or to cover short sales, thereby forcing the Partnership to incur substantial losses. Such circumstances or events could affect materially and adversely the amount of gain or loss the Partnership may realize. In addition, the Partnership may have difficulty selling illiquid securities and other investments, perhaps causing the Partnership to have difficulty in meeting withdrawals. No assurance may be given that the Partnership will be able to satisty Limited Partners' withdrawal requests as of each applicable withdrawal date.

Restricted securities generally are also difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

Risks of Non-Controlling Investments; Control Person Liability. The Partnership may take minority shareholdings in certain investee companies and, as a result, may be unable to protect its interests effectively. Such investments may involve risk not present in the Partnership's investments where a third party is not involved, including the risk that a co-investor might at any time have economic or business interests or goals that are inconsistent with those of the Partnership or may be in a position to take action contrary to the Partnership's investment objectives. Conversely, the Partnership may acquire controlling interests in certain investee companies. The exercise of control over an investee company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Partnership might suffer a significant loss.

Trading Errors. Though the Management Company will attempt to correct trading errors as soon as they are discovered, it may not be responsible for poor executions or trading errors committed by the brokers with which it transacts or the Management Company itself, unless, in the case of the Management Company, such errors resulted from the Management Company's gross negligence, willful misconduct or violation of applicable laws.

Limited Operating History. Each of the General Partner, the Management Company and the Partnership has limited independent operating history upon which investors can evaluate its likely performance. Accordingly, an investment in the Partnership may entail a higher degree of risk than partnerships with independent operating histories.

Reliance on the General Partner and the Management Company. The Partnership relies exclusively on the General Partner and the Management Company, more specifically, Michael A. Karsch, (who is the

principal and Managing Member of both the General Partner and the general partner of the Management Company) for the management of its investment portfolio. There could be adverse consequences to the Partnership in the event that Michael A. Karsch ceases to be available to the Partnership. The success of the Partnership is therefore expected to be significantly dependent upon the expertise and efforts of the General Partner and the Management Company and, more particularly, of their principal.

Incentive Allocation. The Incentive Allocation to the General Partner may create an incentive for the Management Company, an affiliate of the General Partner, to cause the Partnership to make investments that are riskier or more speculative than would be the case if the Incentive Allocation were not made. Since the General Partner's Incentive Allocation is calculated on a basis which includes unrealized appreciation of the Partnership's assets, such allocation may be greater than if it were based solely on realized gains.

Potential Conflicts of Interest. Each of the General Partner and the Management Company will use its best efforts in connection with the purposes and objectives of the Partnership and will devote so much of its time and effort to the affairs of the Partnership as may, in its judgment, be necessary to accomplish the purposes of the Partnership. Under the terms of the Partnership Agreement, the General Partner, the Management Company, each of their respective directors, members, partners, shareholders, officers, employees, agents and affiliates (hereinafter referred to as the "Affiliated Parties") may conduct any other business, including any business within the securities industry, whether or not such business is in competition with the Partnership. Without limiting the generality of the foregoing, the Affiliated Parties may act as general partner, investment adviser or investment manager for others, may manage funds, separate accounts or capital for others, may have, make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. In this regard, it should be noted that the Management Company also serves as (i) the management company of Karsch Capital I, LP and KCM Alpha Only Fund, LP, U.S. limited partnerships; (ii) the investment manager of Karsch Capital, Ltd., Karsch Capital II, Ltd. and KCM Alpha Only Fund, Ltd., Cayman Islands exempted companies; and (iii) the investment manager to certain managed accounts. All such funds, with the exception of Karsch Capital II, Ltd., Karsch Capital I, LP and Karsch Capital, Ltd. (which are intended to be managed substantially pari passu with the Partnership), have somewhat similar, but not identical investment programs and methods of operation to that of the Partnership. In addition, other entities or accounts may have investment objectives or may implement investment strategies similar to or different from those of the Partnership. In addition, the Affiliated Parties may, through other investments, including these or other investment funds, have interests in the securities in which the Partnership invests as well as interests in investments in which the Partnership does not invest. The Affiliated Parties may give advice or take action with respect to such funds, other entities or accounts that differs from the advice given with respect to the Partnership. Finally, certain investors in the Partnership or other funds, entities and accounts may have negotiated different engagement (including liquidity) terms with the Partnership, the Management Company or their affiliates (as appropriate) and may have access to additional trading information and supporting analytics as relating to the Management Company's investment strategies, which could affect their performance.

To the extent legally permissible, the Affiliated Parties are authorized to combine purchase or sale orders on behalf of the Partnership together with orders for other funds and accounts managed by the Affiliated Parties and allocate the securities or other assets so purchased or sold, on an average price or other appropriate basis, among such funds and accounts. To the extent a particular investment is suitable for both the Partnership and other clients of the Affiliated Parties, such investments may be allocated between the Partnership and the other clients pro rata based on assets under management , but (other than as relating to Karsch Capital II, Ltd., Karsch Capital I, LP and Karsch Capital, Ltd.) will likely be allocated in some other manner that the Affiliated Parties determine is fair and equitable under the circumstances to all clients, including such clients' investment objectives and strategies. There may be instances (such as when orders are placed with more than one broker, or, if an order cannot be fully executed under prevailing market conditions), that make it impossible for the Affiliated Parties to average the prices paid. In this case, the Affiliated Parties will allocate the filled orders in an equitable manner. Each fund or account (including the Partnership) may pay, in connection with the acquisition of securities

by more than one fund or account, the average price per unit acquired, which may be higher than if it had acted alone.

From the standpoint of the Partnership, simultaneous identical portfolio transactions for the Partnership and the other clients may tend to decrease the prices received, and increase the prices required to be paid, by the Partnership for its portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the Partnership and the other clients in an equitable manner as determined by the Affiliated Parties. Further, it is likely that it will not be possible or consistent with the investment objectives of the various persons or entities described above and of the Partnership for the same investment positions to always be taken or liquidated at the same time or at the same price; however, all transactions will be made on a "best execution" basis.

Periodically, the Management Company may seek to rebalance the portfolios of the Partnership, Karsch Capital II, Ltd., Karsch Capital I, LP and Karsch Capital, Ltd., which are intended to be managed substantially pari passu with the Partnership, and its other clients, by causing one or more funds or accounts to sell securities at the same time the other funds or accounts purchase such securities. Due to subscriptions and withdrawals, these trades may be necessary to re-align the securities holdings of the such funds and the Management Company's other clients, so that they more accurately reflect the relative capital balances of all the funds and the accounts. If the Management Company elects to make such trades, they would be effected shortly after such capital activity has been reflected in such funds or its other clients, typically at or near the beginning of a month. In effecting such trades, the Management Company seeks to reduce the transaction costs to its clients of such transactions. Each such trade will be consistent with the investment objectives and policies of each of the funds and the Management Company's other clients, and will be effected by transacting the securities at a current market price through a third party brokerage firm for a commission.

As a result of the foregoing, the Affiliated Parties may have conflicts of interest in allocating their time and activity between the Partnership and other entities, in allocating investments among the Partnership and other entities and in effecting transactions for the Partnership and other entities, including ones in which the Affiliated Parties may have a greater financial interest.

It is expected that some of the investors in the Partnership shall be persons holding senior level executive positions at companies or in industries in which the Partnership may invest. As such, the General Partner and the Management Company will undertake their best efforts to avoid any contacts with such investors that might give rise to the appearance of impropriety.

Michael A. Karsch, the controlling person of the Management Company also serves as the controlling person of the General Partner. The fiduciary duty of Mr. Karsch as the controlling person of the Management Company may compete or be different from the interests of the General Partner and may give rise to a conflict of interest in relation to his duties to the Partnership.

The amounts payable to the Affiliated Parties are based directly on the net asset value of the Partnership. To the extent that valuation of assets is determined based upon information provided by the Affiliated Parties, because there is, for example, no public market price available, there may be a conflict of interest.

The Management Fee to be received by the Management Company and the Incentive Allocation to be allocated to the General Partner or other fees or allocations to be received by the Affiliated Parties may create an incentive for the Affiliated Parties to make investments in a manner that is riskier or more speculative than would be the case in the absence of such an arrangement.

The Administrator, the prime broker and any other broker appointed by the Partnership, may from time to time also act as administrator or prime broker to, or be otherwise involved in, other collective investment schemes which have similar investment objectives to those of the Partnership or may otherwise provide discretionary fund management or ancillary administration, or brokerage services to investors with similar

investment objectives to those of the Partnership. It is, therefore, possible that any of them may, in the course of their business, have potential conflicts of interests with the Partnership. The General Partner believes that each will at all times have regard in such event to its obligations to act in the best interests of the Limited Partners of the Partnership so far as practicable, having regard to its obligations to other clients, when undertaking any investments where conflicts of interests may arise and they will endeavor to resolve such conflicts fairly.

No Separate Counsel. Kirkpatrick & Lockhart Preston Gates Ellis LLP represents the General Partner, the Management Company and the Partnership. The Partnership does not have counsel separate and independent from counsel to the General Partner and the Management Company. The General Partner and the Management Company may, in the future, retain additional counsel for certain matters separate from counsel to the Partnership. Kirkpatrick & Lockhart Preston Gates Ellis LLP does not represent investors in the Partnership, and no independent counsel has been retained to represent investors in the Partnership.

Absence of Regulatory Oversight. While the Partnership may be considered similar to an investment company, it does not intend to register as such under the 1940 Act, in reliance upon an exemption available to privately offered investment companies, and, accordingly, the provisions of the 1940 Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be afforded to the Partnership or the Limited Partners.

Future Regulatory Change is Impossible to Predict. The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on hedge funds, in general, and the Partnership, in particular, is impossible to predict, but could be substantial and adverse.

Competition. The Partnership will engage in investment activities which may become competitive with other investment programs such as those of other financial institutions, mutual funds, investment banks, broker-dealers, commercial banks, insurance companies and pension funds, as well as private investors, all of whom may have investment objectives similar to those of the Partnership. These competitors may have substantially greater resources than the Partnership and may have greater experience than the Management Company and its affiliates. Substantial capital suddenly deployed in the asset classes in which the Partnership invest to take advantage of the opportunities present in the sector can also reduce available investment and potential returns of the Partnership.

No Distributions. The Partnership reserves the right to make distributions to Limited Partners, but does not currently intend to make such distributions. Accordingly, the Partnership intends to reinvest substantially all of its income and gain. Additionally, cash that might otherwise be available for distribution is reduced by payment of the Partnership's obligations and expenses (including expense reimbursements), and establishment of appropriate reserves.

Limited Ability to Liquidate an Investment in Limited Partnership Interests. There are significant restrictions on a Limited Partner's right to withdraw all of part of its limited partnership interests, transfer its limited partnership interests or pledge or otherwise encumber its limited partnership interests. Thus, it is unlikely that a holder of limited partnership interests will be able to liquidate its limited partnership interests in the event of an unanticipated need for cash. Each Limited Partner is generally subject to a one year lock-up period and may be subject to a payment of a withdrawal fee.

Limited partnership interests may not be transferred or pledged except in compliance with significant restrictions on transfer as required by federal and state securities and commodities laws and as provided in the Partnership Agreement. The Partnership Agreement does not permit a Limited Partner to transfer or pledge all or any part of its limited partnership interest to any person without the prior written consent of the General Partner, the granting of which is solely in the General Partner's discretion. The Partnership also has the discretion to deliver withdrawal proceeds in investments rather than cash. These limitations, taken together, will significantly limit a Partner's ability to liquidate an investment in the Partnership quickly. As a result, an investment in the Partnership would not be suitable for an investor who needs liquidity.

Suspension of Withdrawal and Deferment of Withdrawal Proceeds. The General Partner may, in its discretion, in certain circumstances declare a suspension of the determination of the Partnership's net asset value and/or the withdrawal of limited partnership interests and/or extend the period for payment on withdrawal.

Effect of Substantial Withdrawals. Substantial withdrawals by a Limited Partner within a short period of time could require the Partnership to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of the Partnership's assets and/or disrupting the Partnership's investment strategies. Reduction in the Partnership's size could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Partnership's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Tax Risks

General. The General Partner intends that the Partnership will be classified as a partnership for federal tax purposes. Each Partner must take into account its allocable share of the partnership items of the Partnership. The Partnership, like all entities classified as partnerships for federal tax purposes, are subject to a risk of audit by the Internal Revenue Service ("Service"). Any adjustments made to the Partnership's information return produced by such an audit might result in adjustments to the Partners' tax returns, with respect not only to items related to the Partnership but also to unrelated items. Furthermore, federal, state and local tax laws are subject to change, and Partners could incur substantial tax liabilities as a result of changes thereto. Finally, various aspects of income taxation, including federal, state and local taxation and the alternative minimum tax, produce tax effects that can vary based on each taxpayer's particular circumstances. THEREFORE, INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS TO DETERMINE THE TAX EFFECTS OF AN INVESTMENT IN THE PARTNERSHIP, ESPECIALLY IN LIGHT OF THEIR PARTICULAR FINANCIAL SITUATIONS.

Distributions. The Partnership reserves the right to make distributions to its Limited Partners, but does not currently intend to make such distributions. Because the Partnership intends to reinvest substantially all of its income and gain, a Limited Partner should not rely on distributions from the Partnership to cover the Limited Partner's tax liability associated therewith, if any. Instead, a Limited Partner will need to withdraw its limited partnership interest in the Partnership to realize the value of its investment.

Certain Deductions and Allocations. The Service could challenge the deductibility of expenses the Partnership incurs, including the Management Fee, for several reasons, including that those expenses constitute capital expenditures that, among other things, should be added to the Partnership's cost of acquiring its investments and amortized over a period of time or held in suspense until the Partnership liquidates or dissolves. In addition, certain expenses the Partnership incurs, including the Management Fee, may constitute "miscellaneous itemized deductions," the deductibility of which by individual taxpayers is subject to a separate limitation as well as an overall limitation on itemized deductions. In this regard, the Service also could attempt to challenge any allocation to the General Partner of the Partnership pursuant to the Incentive Allocation and instead try to treat such amounts as a management fee. If the Service were to prevail in such position, the Limited Partners would be allocated the profits otherwise allocable to the General Partner and their ability to deduct the amounts recharacterized as a fee could be disallowed or limited as described above.

Unrelated Business Taxable Income. The Partnership may borrow for investment purposes or to meet withdrawal requests. Any such borrowing will cause the Partnership to have "debt financed property" resulting in UBTI to tax-exempt Limited Partners. Accordingly, an investment in the Partnership may not be appropriate for tax-exempt organizations.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE PARTNERSHIP. OFFEREES SHOULD READ THE ENTIRE MEMORANDUM AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO PURCHASE INTERESTS IN THE PARTNERSHIP.

8. ADMISSION OF PARTNERS; CAPITAL CONTRIBUTIONS

Admission as a Limited Partner in the Partnership is not open to the general public. The Partnership is not intended as a complete investment program and is designed only for persons who are able to bear the economic risk of the loss of their investment in the Partnership. Limited partnership interests will generally be sold only to qualified investors who are (i) "accredited investors" under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and (ii) "qualified purchasers" as such term is defined in Section 2(a)(51) under the 1940 Act.

The minimum initial Capital Contribution to the Partnership is $1,000,000, subject to change in the sole discretion of the General Partner. The minimum additional Capital Contribution is $100,000, also subject to change in the sole discretion of the General Partner. The Partnership will accept Capital Contributions on the first business day of a calendar quarter, however, the General Partner reserves the right, in its sole discretion, to accept Capital Contributions at other times. Capital Contributions shall be made in cash or, in the sole discretion of the General Partner, in securities acceptable to the General Partner.

Prospective investors should read the Partnership Agreement being furnished to them concurrently with this Memorandum. The Partnership Agreement sets forth the specific provisions relating to the operations of the Partnership. The General Partner will afford prospective Limited Partners the opportunity to ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and to obtain any additional information to the extent that the General Partner or the Partnership possesses such information or can acquire it without unreasonable effort or expense.

The General Partner may admit additional or substitute General Partners to the Partnership who are affiliates of the General Partner; provided that the General Partner shall give 45 calendar days' prior written notice to all Limited Partners of the proposed admission of any additional or substitute General Partner.

It is noted that if a sponsor is instrumental in the sale of Partnership interests to a particular investor, the sponsor may, in certain limited situations, charge such shareholder a fully disclosed sales charge. Investors who do not make their subscription to the Partnership through such sponsors will not be subject to any such sales charge. In no event will any sales charges be payable to the Partnership, the General Partner or the Management Company. It should also be noted that the General Partner and/or the Management Company may pay or allocate (or cause to be paid or allocated) fees or allocations to persons (whether or not affiliated with the General Partner and/or the Management Company) who are instrumental in the sale of Partnership's interests. Any such fees or allocations will not be payable by or chargeable to the Partnership, any Limited Partner or prospective Limited Partner.

9. WITHDRAWALS; RETIREMENT; DISTRIBUTIONS

Withdrawals of Capital and Retirement of Partners

A Limited Partner may, upon at least 30 calendar days' prior written notice, withdraw all or any part of the capital in its Capital Account on the last business day of each calendar quarter; provided, however, that any Limited Partner who withdraws capital prior to the first anniversary of the investment of such capital in

the Partnership may, in the discretion of the General Partner, be assessed a withdrawal fee of up to (i) 2.5% (for Capital Contributions made prior to May 1, 2004); and (ii) 3% (for Capital Contributions made on or after May 1, 2004) on such withdrawn amount payable to the Partnership. The withdrawal fee are generally intended to compensate the remaining Limited Partners for the costs of such withdrawal. A notice of withdrawal must state the amount to be withdrawn or the basis on which such amount is to be determined. If a Partner withdraws its entire limited partnership interest, such limited partnership interest will be canceled as of such date and such Partner will thereupon cease to be a Partner of the Partnership. A partially withdrawing Limited Partner will generally be paid within 30 calendar days; provided, however, that if a Limited Partner withdraws at least 90% of its Capital Account, it will be paid in the same manner as a fully retiring Limited Partner. For purposes hereof, an "anniversary" shall occur on the 365th consecutive day (counting the closing date as the first day) or, if such 365th day is not a business day, the immediately preceding business day. Notwithstanding the foregoing, the General Partner may waive or modify the provisions relating to withdrawals for any (including affiliated) investors.

In addition, each Limited Partner will be permitted to withdraw completely from the Partnership at any time if Mr. Karsch dies or becomes disabled (so that he is unable to perform his duties as portfolio manager of the Management Company for at least 90 consecutive calendar days). Such special withdrawal right is exercisable by delivery of written notice to the Partnership within 30 calendar days after the Limited Partners are sent notice of the events in the preceding sentence.

The General Partner may withdraw all or any part of the capital in its Capital Account at any time; provided, however, that at all times it shall maintain a Capital Account equal to no less than the lesser of $100,000 or 1% of the Capital Accounts of the Partners.

The General Partner, in its sole discretion, may require any Limited Partner to withdraw all or any part of its Capital Account from the Partnership at any time on not less than 20 calendar days' notice, such withdrawal to be effective on the date specified in such notice. If the General Partner, at its sole discretion, deems it to be in the best interests of the Partnership to do because the continued participation of any Limited Partner in the Partnership might cause the Partnership to violate any law, rule or regulation or expose the Partnership to litigation, arbitration, administrative proceedings or any similar action or proceeding, the General Partner may require such Limited Partner to withdraw all or any part of its capital account from the Partnership at any time on not less than 5 calendar days' notice, such withdrawal to be effective on the date specified in such notice.

Death, Bankruptcy or Incapacity of a Partner

In the event of the death, bankruptcy or incapacity of a Partner, the estate or legal representative of such Partner shall succeed to the Partner's right to share in net profits or net losses of the Partnership and to receive distributions from the Partnership. The estate or representative may in the sole discretion of the General Partner, be paid as of the end of the fiscal year during which the Partner died or became bankrupt or incapacitated the value of such Partner's Capital Account as of the end of such year in liquidation of the Partner's interest in the Partnership. Alternatively, the General Partner may, in its sole discretion, admit the estate or representative to the Partnership as a Limited Partner. Notwithstanding anything to the contrary, if a Partner dies on a day other than the last day of a fiscal period, net profits or net losses for such fiscal period allocable to the deceased Partner shall be allocated between the deceased Partner and his estate for Federal income tax purposes.

Payments on Retirement

A Partner retiring in accordance with the Partnership Agreement will generally be entitled to receive an amount equal to the value of his Capital Account as of the date of his retirement; provided, however, that the estate or legal representative of any deceased, bankrupt or incapacitated Partner may, in the sole discretion of the General Partner, be paid the value of such Partner's Capital Account as of (i) the end of the fiscal year during which such Partner died or became bankrupt or incapacitated, or (ii) the date of death, bankruptcy or incapacity.

At least 90% of the estimate of this amount will be paid within 30 calendar days after the date of a Partner's retirement or the end of the fiscal year, as the case may be. Promptly after the General Partner has determined the Capital Accounts of the Partners as of such date (which at the General Partner's sole discretion may be after the Partnership's independent public accountants have completed their examination of the Partnership's financial statements), the Partnership will pay to the retiring Partner or his representative the excess, if any, of the amount to which such Partner is entitled over the amount previously paid, or such Partner will be obligated to pay to the Partnership the excess, if any, of the amount previously paid over the amount to which such Partner is entitled, in each case together with interest thereon, to the extent permitted by applicable law, from the date of retirement or the last day of the fiscal year, as the case may be, to the date of the payment of the excess amount at an annual rate equal to the rate then obtained by the Partnership with respect to such amount. The payment to a retiring partner of his Capital Account shall be subject to the retention of a reserve for partnership liabilities as provided in Section 10.02 of the Partnership Agreement. If the reserve (or portion thereof) is later determined by the General Partner to have been in excess of the amount required, the proportionate amount of the excess shall be returned to the retired Partner with interest thereon at an annual rate equal to the rate then obtained by the Partnership with respect to such amount.

Distributions in Cash or in Kind

All distributions to a Partner on withdrawal or retirement will be made in cash or, at the sole discretion of the General Partner, in securities selected by the General Partner, or partly in cash and partly in securities selected by the General Partner.

Suspension of Withdrawals (and/or Net Asset Value Determination)

The General Partner may suspend the right of Limited Partners to make withdrawals (and/or the calculation of net asset value) during any period when:

(a) any stock exchange on which a substantial part of securities owned by the Partnership are traded is closed, otherwise than for ordinary holidays, or dealings thereon are restricted or suspended;

(b) there exists any state of affairs which constitutes a state of emergency as a result of which (i) disposal of a substantial part of the investments of the Partnership would not be reasonably practicable and might seriously prejudice the Limited Partners or (ii) it is not reasonably practicable for the General Partner fairly to determine net asset value;

(c) none of the requests for withdrawal which have been made may be lawfully satisfied by the Partnership in U.S. dollars; or

(d) there is a breakdown in the means of communication normally employed in determining the prices of a substantial part of the investments of the Partnership.

10. NET ASSET VALUE

The net asset value of the Partnership is calculated by adding the value of its investments, cash, and other assets and subtracting its accrued liabilities and expenses, all determined in accordance with GAAP other than with respect to the Partnership's start-up and organizational expenses which were amortized over a period of five years from the commencement of the Partnership's operations. The total net asset value of the Partnership at any date shall be calculated in accordance with the following guidelines:

(a) no value will be assigned to goodwill;

(b) organizational expenses have been written off over a five year period beginning on the date the Partnership commenced operations;

(c) accrued Management Fees and other fees will be treated as liabilities;

(d) distributions payable with respect to limited partnership interests after the date as of which the total net asset value is being determined to Limited Partners of record prior to such date will be treated as liabilities;

(e) the market value of positions in securities shall be as follows: securities that are listed on a stock exchange or the NASDAQ national market and are freely transferable shall be valued at their last sales price on the date of determination on the primary stock exchange or the NASDAQ national market during the regular trading session, as applicable, which is the principal exchange or over the counter market, as applicable, for such securities. Securities not so listed and traded over the counter will be valued at their closing bid price, if held long, or closing ask price, if sold short. If the market was closed on such day, the valuation price for the most recent previous day shall be used. Options listed on a national securities exchange or the NASDAQ national market will be valued at the mean between their bid and asked prices. Notwithstanding the foregoing, if in the reasonable judgment of the General Partner at its discretion (in consultation with the Management Company), the listed price for any security held by the Partnership does not accurately reflect the value of such security, the General Partner (in consultation with the Management Company) may, in good faith and upon a reasonable basis value such security at a price which is greater or less than the quoted market price for such security;

(f) the market value of a financial future, forward or similar contract or any option on any such instrument traded on an exchange shall be the most recent available closing quotation on such exchange; provided that if the General Partner (in consultation with the Management Company) determines that such closing price does not accurately reflect market value due to price limit constraints, such contract or option shall be valued at fair market value as determined by the General Partner in good faith and upon a reasonable basis (in consultation with the Management Company);

(g) in valuing the Partnership's investments in other investment entities, the Partnership (in consultation with the Management Company) shall be entitled to rely on the last unaudited or audited financial statement or performance report of any such investment entity, unless the General Partner in good faith and upon a reasonable basis (in consultation with the Management Company) determines in its sole discretion that some other valuation is appropriate;

(h) (i) in the discretion of the General Partner (in consultation with the Management Company), interest may be assessed on that portion of the net asset value of the Partnership used to invest in "new issue" securities and may be debited, in the case of the limited partnership interests held by Limited Partners who are not Restricted Person (and not by Limited Partners who are Restricted Persons), and credited, in the case of all limited partnership interests, to ensure the equitable treatment of all Limited Partners, at a rate equal to the rate obtained by the Partnership with respect to such amount during the period that Partnership's assets are used to invest in "new issue" securities;

(ii) unless otherwise permitted by applicable law, the increase (or decrease) in the net worth of the Partnership resulting from the investment in "new issue" securities by the Partnership shall be credited to the net asset value of the limited partnership interests held by Limited Partners who are not Restricted Person (and not by Limited Partners who are Restricted Persons);

(iii) unless otherwise permitted by applicable law, "new issue" securities will be purchased and held on behalf of the limited partnership interests held by Limited Partners who are not Restricted Person (and not by Limited Partners who are Restricted Persons) and eventually sold or, if held for 30 calendar days, to the extent permissible, allocated among all Limited Partners at their then fair market value; and

(iv) unless otherwise permitted by applicable law, liabilities relating solely to "new issues" may, in the Partnership's discretion, be allocated solely to the limited partnership interests held by Limited Partners who are not Restricted Person (and not by Limited Partners who are Restricted Persons); and

(i) The Management Company will determine the fair market value of certain restricted or private securities, in its discretion in good faith and subject to the supervision of the General Partner; provided that the General Partner and/or the Management Company (as appropriate) may retain the services of reputable pricing agents, brokers or accountants to assist it in the valuation of such investments.

(j) All other assets and liabilities of the Partnership shall be valued in the manner determined by the General Partner in good faith and upon a reasonable basis (in consultation with the Management Company) to reflect their fair market value.

In connection with the calculation of the net asset value of the Partnership, the General Partner may consult with and is entitled to rely upon the advice of the Management Company. In no event and under no circumstances shall the General Partner or the Management Company incur any individual liability or responsibility for any determination made or other action taken or omitted by them in good faith.

Calculation of net asset value may be suspended upon the occurrence of the events specified under "Withdrawals; Retirement; Distributions -- Suspension of Withdrawals (and/or Net Asset Value Determination)" above.

11. BROKERAGE AND CUSTODY

The Management Company is authorized to determine the broker or dealer to be used for each securities transaction for the Partnership. In placing orders, it is the Partnership's policy to obtain the best price and execution for its transactions. Where best price and execution may be obtained from more than one dealer, the Management Company may purchase and sell securities through dealers who provide research, statistical and other information, although the Partnership may not necessarily, in any particular Instance, be the direct or indirect beneficiary of the research services provided. Research furnished by brokers may include, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; certain financial publications; statistic and pricing services, as well as discussions with research personnel, along with software, databases and certain other technical and telecommunication services utilized in the investment management process. Research services obtained by the use of commissions arising from the Partnership's portfolio transactions may be used by the Management Company in its other investment activities. In negotiating commission rates, the Management Company will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers. The Management Company intends to limit the use of soft dollars to pay for products and services within the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934.

The Partnership will maintain accounts at Goldman, Sachs & Co. and Morgan Stanley, which will serve as the Partnership's prime brokers and custodians. Goldman, Sachs & Co. is located at One New York Plaza, New York, NY 10004, USA. Morgan Stanley is located at 1585 Broadway, New York, NY 10036, USA. The Partnership may appoint additional custodians at any time, provided that it notifies the Limited Partners of the appointment of such additional custodians, and provided, further, that such custodians (i) maintain the Partnership's assets in custodial accounts in the name of the Partnership, and (ii) are

"Qualified Custodians" under the Advisers Act. "Qualified Custodians" generally include banks or savings associations that have deposits insured by the U.S. Federal Deposit Insurance Corporation, U.S. SEC-registered broker-dealers, U.S. CFTC-registered futures commission merchants, and certain foreign financial institutions that hold customer assets in a segregated account. The Management Company reserves the right, at its sole discretion, to change or add prime brokers without further notice to the Limited Partners. The compliance policies and procedures of the Management Company provide that if the Management Company or its affiliates inadvertently receive client funds or securities, the Management Company will not be deemed to have custody of such funds or securities, so long as it promptly forwards them to its clients, or clients' Qualified Custodians.

12. TAXATION

THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. IT IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER. A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The Partnership has been advised by its counsel, Kirkpatrick & Lockhart Preston Gates Ellis LLP, that, under present law, the Partnership will be treated as a partnership and will not be a taxable entity for Federal or New York State income tax purposes. Instead, each Limited Partner will be required to take into account for each fiscal year, for purposes of computing his own income tax, his proportionate share of the various items of taxable income or loss allocated to him pursuant to the Partnership Agreement, whether or not any income is paid out to him. The manner in which such items of taxable income or loss are allocated among the Partners is set forth in Article VII of the Partnership Agreement. Such items of taxable income or loss will be required to be taken into account in the taxable year of the Limited Partner in which the fiscal year of the Partnership ends.

Under the Internal Revenue Code of 1986, as amended (the "Code"), a "publicly traded partnership" ("PTP") generally is treated as a corporation. A partnership is a PTP if interests therein (1) are traded on an established securities market (as defined under the applicable Treasury regulations ("PTP Regulations")) or (2) are readily tradable on a secondary market (or the substantial equivalent thereof) ("readily tradable"). The Partnership's limited partnership interests will not be listed for trading on an established securities market and may not be transferred without the consent of the General Partner, which will use its best efforts to ensure that the limited partnership interests will not be readily tradable.

Even if limited partnership interests in the Partnership were treated as readily tradable, because the Partnership failed to satisfy the "private placement safe harbor" or otherwise, and the Partnership thus was a PTP, it would not be treated as a corporation for federal tax purposes for any taxable year in which (1) it was not registered under the 1940 Act and (2) at least 90% of its gross income for that year (and each preceding year from the first year in which it was a PTP) consisted of "qualifying income." This term is defined to include interest, dividends, and gain from the sale or disposition of a capital asset. Qualifying income also includes any income that would qualify for (a) a regulated investment company (mutual fund) and (b) a real estate investment trust. Qualifying income, however, generally does not include compensation for the performance of services or income from other trade or business activities. The Partnership will limit its gross income from "non-qualifying income" to no more than 10% of its gross income. Because the Partnership will not be registered under the 1940 Act by virtue of Section 3(c)(7) thereof and should satisfy the qualifying income requirement each year, even if the Partnership were considered a PTP, it should not be treated as a corporation for federal tax purposes. Thus, the Partnership should be taxed as a partnership for U.S. federal tax purposes.

Income, gains, losses and deductions of the Partnership will not be from a "passive activity" within the meaning of Code Section 469. Accordingly, (i) the deduction by a Limited Partner of his share of the losses or deductions of the Partnership will not be restricted under Code Section 469, and (ii) a Limited Partner who is an individual will not be able to deduct losses from other "passive activities" against his

share of income of the Partnership. "At risk" limitations under Code Section 465 and a basis limitation under Code Section 704(d) may also limit a Limited Partner's ability to deduct its share of the Partnership's losses or expenses.

The Partnership will be required each year to make the determination as to whether it will take the position for Federal income tax purposes that it is (i) a trader in securities or (ii) an investor in securities. This determination will be made separately each year based primarily on the level of the Partnership's securities activities during the particular year. Accordingly, the Partnership's status as a trader or an investor may vary from year to year and is difficult to predict in advance. If the Partnership is characterized as a trader, each Limited Partner who is an individual may deduct his share of expenses of the Partnership (other than interest expense) under Code Section 162 as a business expense. Alternatively, if the Partnership is characterized as an investor, the expenses of the Partnership (other than interest expense) would constitute "miscellaneous itemized deductions", and, as such, would be deductible by an individual only to the extent that his share of such expenses, when combined with his other "miscellaneous itemized deductions", exceeds 2% of his adjusted gross income. Further, the amount in excess of such 2% floor would be subject to the overall limitation on itemized deductions imposed by Code Section 68. Also, the amount in excess of such 2% floor would be considered a tax preference item in computing the alternative minimum tax for an individual taxpayer.

For Federal income tax purposes, interest expense of the Partnership generally will be considered "investment interest." Subject to certain limited exceptions, investment interest is deductible by an individual only to the extent of his net investment income (which for this purpose generally does not include net long-term capital gains or "qualified dividend income"). Investment interest that is not deductible in any taxable year because of this limitation may be carried forward to the succeeding taxable year.

Since the Partnership may invest in the securities of foreign issuers, the Partnership's income may be subject to foreign income taxes, including withholding taxes. A Limited Partner may elect either to deduct his share of such foreign taxes in computing his Federal taxable income or treat his share of such foreign taxes as a credit against Federal income taxes, subject to certain limitations. No deduction for foreign taxes may be claimed by an individual who does not itemize deductions.

The Partnership generally will not realize gain or loss on a short sale of a security until the Partnership purchases the security to be delivered to the lender to close the transaction (or, in the case of a loss, until the security is delivered to the lender). Gain arising from the closing of a short sale generally is treated as short-term capital gain.

As discussed in Section 3, the Management Company may utilize leverage in connection with the Partnership's investments. In this regard, a tax-exempt investor will generally be subject to tax on the portion of its share of the Partnership's profits attributable to the use of certain leverage. Such portion will be considered "debt-financed income" and will be taxable as "unrelated business taxable income" under the Federal income tax law. The law is not entirely clear, however, as to the proper way to determine what portion of a tax-exempt investor's share of the Partnership's profits is attributable to the use of leverage and therefore "debt-financed income." Accordingly, while the Partnership will compute each tax-exempt investor's share of "debt-financed income" from the Partnership in a manner which the Partnership determines is reasonable, there can be no assurance that the Internal Revenue Service (the "IRS") will accept the method of computation used by the Partnership.

In February 2003, the IRS released final Treasury Regulations expanding previously existing information reporting, record maintenance and investor list maintenance requirements with respect to certain "tax shelter" transactions (the "Tax Shelter Regulations"). The Tax Shelter Regulations may potentially apply to a broad range of investments that would not typically be viewed as tax shelter transactions, including investments in investment partnerships and portfolio investments of investment partnerships. Under the Tax Shelter Regulations, if the Partnership engages in a "reportable transaction," the Partnership and, under certain circumstances, a Limited Partner would be required to (i) retain all records material to such "reportable transaction"; (ii) complete and file IRS Form 8886, "Reportable Transaction Disclosure

Statement" as part of its Federal income tax return for each year it participates in the "reportable transaction"; and (iii) send a copy of such form to the IRS Office of Tax Shelter Analysis at the time the first such tax return is filed. The scope of the Tax Shelter Regulations may be affected by further IRS guidance.

In addition, under recently enacted legislation, an excise tax and additional disclosure requirements may apply to certain tax-exempt entities that are parties to "prohibited tax shelter transactions," defined as "listed" tax shelters, transactions entered into under conditions of confidentiality, and transactions with contractual protection. A notice issued by the IRS in February 2007 provides that a tax-exempt investor in a partnership will generally not be treated as a "party" to a prohibited tax shelter transaction, even if the partnership engages in such a transaction, if the tax-exempt investor does not facilitate the transaction by reason of its tax-exempt, tax indifferent or tax-favored status. There can be no assurance, however, that the IRS or Treasury Department will not provide guidance in the future, either generally or with respect to particular types ot investors, holding otherwise. In addition, a separate excise tax may be imposed on the entity manager of such a tax-exempt entity, if the entity manager approves the entity as a party to the transaction, or causes it to be a party to the transaction, and knew or had reason to know that the transaction was a prohibited tax shelter transaction.

Non-compliance with the Tax Shelter Regulations or the disclosure requirements for prohibited tax shelter transactions may involve significant penalties and other consequences. Each Limited Partner should consult his own tax advisers as to his obligations under these rules.

Based on its proposed investment program and on the basis ot present law, the Partnership should not be subject to the New York City unincorporated business tax, and individual Limited Partners who are not considered to be residents of New York State should not be subject to New York State personal income tax in respect of their share of the income from the Partnership.

If the Partnership were considered to have income from New York sources, the Partnership would be required to withhold New York State income tax with respect to income allocable to Limited Partners who are not residents of New York. Based on the anticipated activities of the Partnership, it is expected that little, If any, of the Partnership's income will be treated as New York source income. If the Partnership is required to pay such tax, a nonresident Limited Partner should be eligible for a credit equal to the portion of the tax on the Limited Partner attributable to such Limited Partner's share of the income it such Limited Partner files a New York State income tax return.

As promptly as practicable after the end ot each fiscal year, the Partnership will send to each Limited Partner a report indicating the amounts representing his respective share of net long-term capital gain or loss, net short-term capital gain or loss, operating profit or loss and other appropriate items of income and deduction for purposes ot reporting such amounts for Federal income tax purposes.

Tax-exempt investors should review with their tax advisers the discussion above regarding unrelated business taxable income and debt-financed income and any tax and/or filing obligation they may have with respect to unrelated business taxable income. Tax-exempt investors should also consult their tax advisers with regard to the unrelated business taxable income issues that may arise upon the disposition of their interest in the Partnership. In a private ruling, the IRS has taken the position that a portion of the gain realized from the sale (e.g., withdrawal) of a partnership interest by a tax-exempt entity is debt-financed income when the partnership uses borrowed funds to purchase property even though the tax-exempt entity did not use borrowed funds to purchase its partnership interest.

The advice from Kirkpatrick & Lockhart Preston Gates Ellis LLP on Federal, New York State and New York City tax matters is based on the assumption that the Partnership will be organized and operated in the manner contemplated by the General Partner and as described in this Memorandum and the Partnership Agreement and under present provisions of the laws and regulations issued thereunder and the cases and rulings interpreting such laws and regulations. There can be no assurance that the positions the Partnership takes on its tax returns, with respect to expenses or otherwise, will be accepted by the IRS or the New York taxing authorities.

The tax consequences of an investment in the Partnership may vary depending upon the particular circumstances of each prospective Limited Partner. Accordingly, each prospective Limited Partner should consult his own tax advisers with respect to the effect of an investment in the Partnership on his personal tax situation and, in particular, the state and local tax consequences to him of an investment in the Partnership.

A Limited Partner (and each employee, representative, or other agent of the Limited Partner) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of an investment in the Partnership and all materials of any kind (including opinions or other tax analyses) that are provided to the Limited Partner relating to such tax treatment and tax structure.

13. ERISA CONSIDERATIONS

THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. IT IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER. A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The fiduciary responsibility standards and prohibited transaction restrictions of ERISA apply to most employee retirement and welfare benefit plans maintained by private corporate employers ("ERISA plans"). Although ERISA does not (with certain exceptions) apply to certain types of plans, such as individual retirement accounts, plans covering only self-employed individuals (*i.e.*, sole proprietors and partners) and their respective spouses, or corporate plans covering only a corporation's sole shareholder and his or her spouse, these plans (as well as most ERISA plans) are subject to the prohibited transaction excise tax provisions of Section 4975 of the Code, which are substantially similar to the prohibited transaction restrictions of ERISA. Neither ERISA nor Section 4975 of the Code applies to employee benefit plans established or maintained by government entities, plans established and maintained by churches or certain entities associated with churches, plans maintained outside the U.S. primarily for the benefit of nonresident aliens, and certain other plans excluded by statute.

The following summary of certain aspects of ERISA and Section 4975 of the Code is based upon the statutes, judicial decisions, and regulations and rulings of the U.S. Department of Labor ("DOL") in existence on the date hereof. This summary is general in nature and does not address every issue under ERISA or Section 4975 of the Code that may be applicable to the Partnership or a particular investor. Accordingly, each prospective Limited Partner should consult with its own counsel in order to understand such issues affecting the Partnership or the Limited Partner.

Investment Considerations

The assets of the Partnership will be invested in accordance with the investment policies and objectives described in this Memorandum. Accordingly, an authorized fiduciary of an employee benefit plan proposing to invest in the Partnership should, in consultation with its advisors, consider whether the investment would be consistent with the terms of the plan's governing documents and applicable law. The fiduciary of an ERISA plan, for example, should give appropriate consideration to, among other things, (i) the role that an investment in limited partnership interests would play in the plan's portfolio, taking into consideration whether the investment is designed reasonably to further the plan's purposes, the risk and return factors associated with the investment, the composition of the plan's total investment portfolio with regard to diversification, the liquidity and current return of the plan's portfolio relative to its anticipated cash flow needs, and the projected return of the plan's portfolio relative to its objectives, (ii) the fact that the Limited Partners may consist of a diverse group of investors (possibly including taxable and tax-exempt entities) and that the General Partner or the Management Company, as appropriate, necessarily will not take investment objectives of any particular Limited Partner that are not consistent

with those of the Partnership into account in managing Partnership investments, (iii) limitations on the plan's right to withdraw or transfer limited partnership interests, (iv) the implications arising from whether or not the assets of the Partnership are treated as "plan assets" for purposes of ERISA and Section 4975 of the Code, and (v) the tax effects of an investment in limited partnership interests.

As described elsewhere in this Memorandum, the General Partner will be entitled to receive an Incentive Allocation. The appropriate fiduciary of an investing ERISA plan should satisfy itself that the Incentive Allocation meets applicable requirements of ERISA, taking DOL guidance regarding such fee and allocation arrangements into account. The fiduciary of an investing plan, whether or not subject to ERISA, will be required to represent, among other things, that it understands the Incentive Allocation arrangements and has obtained information (or has had the opportunity to request additional information) regarding such arrangements and the risks associated with them, as necessary to enable the fiduciary to conclude that the Incentive Allocation arrangements are reasonable and consistent with the interests of the plan. The fiduciary of each investing ERISA plan also will be required to represent that the plan has at least $50 million in total assets.

NEITHER THE GENERAL PARTNER, THE MANAGEMENT COMPANY NOR THE PARTNERSHIP IS RESPONSIBLE FOR DETERMINING, AND NEITHER OF THEM MAKES ANY REPRESENTATION REGARDING, WHETHER A PURCHASE OF LIMITED PARTNERSHIP INTERESTS IS A PRUDENT OR SUITABLE INVESTMENT FOR ANY EMPLOYEE BENEFIT PLAN.

Prohibited Transactions

A purchase of limited partnership interests by an employee benefit plan having a relationship with the General Partner, the Management Company or any of their affiliates outside the Partnership could, under certain circumstances, be considered a transaction prohibited under ERISA, Section 4975 of the Code, or, in some circumstances, applicable state law. In addition, the prohibited transaction restrictions of ERISA prohibit an ERISA plan fiduciary from causing the plan to engage in a transaction if the fiduciary knows or should know the transaction would involve a "party in interest" of the plan. "Parties in interest" of an ERISA plan include, among others, persons providing services to the plan and certain affiliates of such persons. Transactions between ERISA plans and parties in interest that are prohibited include, among others, any direct or indirect sale or exchange of property between the plan and a party in interest and any transfer of plan assets to, or use of plan assets by or for the benefit of, a party in interest. Section 4975 of the Code prohibits substantially similar transactions between plans subject to that Section and "disqualified persons" of such plans, defined to include substantially the same persons as parties in interest for ERISA purposes. Although the General Partner and the Management Company believe that the Partnership itself should not be considered a party in interest (or disqualified person) with respect to investing ERISA plans (or plans subject to Section 4975 of the Code), the application of ERISA, Section 4975 of the Code, or applicable state laws depends upon the particular facts and circumstances of each situation.

Accordingly, an authorized fiduciary of an investing plan will be required to represent, among other things, that the plan's purchase and holding of limited partnership interests will not be a transaction prohibited under ERISA, Section 4975 of the Code, or applicable state law, for which no exemption applies. Such fiduciary also will be required to represent that neither the General Partner, the Management Company nor any of their affiliates, agents, or employees (i) exercises any authority or control with respect to the management or disposition of assets of the plan used to purchase the limited partnership interests, (ii) renders investment advice for a fee (pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions and that such advice will be based on the particular investment needs of the plan), with respect to such assets of the plan, or has the authority to do so, or (iii is an employer maintaining or contributing to, or any of whose employees are covered by, the plan.

"Plan Assets"

Regulations issued by the DOL describe when the assets of an entity are to be treated as "plan assets" for purposes of ERISA and Section 4975 of the Code. The regulations provide that, if an ERISA plan or a

plan subject to Section 4975 of the Code acquires an "equity interest" (such as the limited partnership interests) in a certain type of private investment entity (such as the Partnership), and if benefit plan investors in the aggregate hold 25% or more of the value of any class of equity interests in the entity, the entity's assets will be treated as "plan assets" for purposes of ERISA's fiduciary responsibility standards and prohibited transaction restrictions and the parallel prohibited transaction excise tax provisions of Section 4975 of the Code. ERISA defines the term "benefit plan investor" for purposes of this computation to include employee benefit and other plans subject to ERISA and/or Section 4975 of the Code, as well as private investment funds and other entities whose underlying assets are treated as "plan assets" of such plans. (In addition, assets of the general account of an insurance company may, in certain circumstances, be considered "plan assets.") ERISA and the regulations require that any equity interests held by a person having discretionary authority or control over the assets of the entity or providing investment advice for a fee with respect to such assets or any affiliate of such person (as defined in the DOL regulations), other than interests held by such person through a benefit plan investor, be disregarded in making the 25% computation.

In order to avoid treatment of the Partnership's assets as "plan assets" for purposes of ERISA or Section 4975 of the Code, the Partnership intends to restrict aggregate investments by benefit plan investors to less than 25% of the value of each class of limited partnership interests, not including limited partnership interests held by the General Partner or the Management Company (or any other person having discretionary authority or control over Partnership assets or providing investment advice for a fee with respect to such assets) or any affiliate of the General Partner or the Management Company (as defined in the DOL regulations), other than limited partnership interests held by such person through a benefit plan investor. Because the 25% test is ongoing, the Partnership not only may restrict initial or additional investments by benefit plan investors, it also may require existing benefit plan investors to withdraw limited partnership interests if other investors withdraw their limited partnership interests. The Partnership will effect such rejections or mandatory withdrawals in such manner as the General Partner, in its sole discretion, determines to be reasonable and appropriate under the circumstances.

Although it is not expected that the assets of the Partnership will be treated as "plan assets," if at any time benefit plan investors were to hold 25% or more of the value of any class of limited partnership interests, the Management Company, the General Partner and any other person having or exercising discretionary authority over the Partnership or its assets would be a "fiduciary" (as defined in ERISA) with respect to investing ERISA plans and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. If the General Partner or the Management Company, with the advice of counsel, reasonably concludes that the assets of the Partnership are, or are likely to become, "plan assets" for purposes of ERISA or Section 4975 of the Code, and that continued operation of the Partnership under arrangements existing at the time would violate ERISA or would cause any Limited Partner to be deemed to be a party to any transaction that violates the prohibited transaction restrictions of ERISA or Section 4975 of the Code for any reason other than as a result of an action taken exclusively by the Limited Partner, the General Partner and the Management Company intend to take such steps as are necessary or appropriate to avoid such result, including proposing amendments to the Partnership's governing documents to ensure compliance with ERISA and Section 4975 of the Code, as applicable. However, if and for so long as the Partnership's assets are treated as "plan assets" for purposes of ERISA and Section 4975 of the Code, the General Partner and the Management Company also will take such steps as they may determine are necessary to manage the Partnership's assets in accordance with the applicable requirements of ERISA In this respect, the Management Company is registered under the Advisers Act and, therefore, is eligible to be appointed as an "investment manager," as such term is defined by ERISA, by a "named fiduciary," as such term is defined by ERISA, of an investing ERISA plan. The Management Company also qualifies as a "qualified professional asset manager" under Prohibited Transaction Exemption 84-14 issued by the DOL under ERISA.

Considerations for Non-Plan Partners

Prospective investors that are not ERISA plans or subject to the prohibited transaction provisions of Section 4975 of the Code should note that, if and for so long as the Partnership's assets are treated as "plan assets" for purposes of ERISA and Section 4975 of the Code, the Partnership may be prevented

from engaging in a transaction with a party in interest of an investing plan subject to ERISA or a disqualified person of a plan subject to Section 4975 of the Code, unless an exemption applies, even though the Partnership includes investors not subject to ERISA or Section 4975 of the Code. Moreover, this summary does not include a discussion of any laws, regulations, or statutes that may apply to prospective investors that are not employee benefit plans or state statutes that impose fiduciary responsibility requirements in connection with the investment of assets of governmental plans and other plans not subject to ERISA or Section 4975 of the Code. Such investors should consult their own professional advisers about these matters.

FIDUCIARIES OF EMPLOYEE BENEFIT PLANS SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE CONSEQUENCES UNDER ERISA, SECTION 4975 OF THE CODE, OR OTHER APPLICABLE LAW OF AN INVESTMENT IN THE PARTNERSHIP.

THE SALE OF LIMITED PARTNERSHIP INTERESTS TO AN EMPLOYEE BENEFIT PLAN IS IN NO RESPECT A REPRESENTATION BY THE PARTNERSHIP, THE GENERAL PARTNER OR THE MANAGEMENT COMPANY THAT AN INVESTMENT IN LIMITED PARTNERSHIP INTERESTS MEETS APPLICABLE LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY EMPLOYEE BENEFIT PLANS GENERALLY OR ANY EMPLOYEE BENEFIT PLAN IN PARTICULAR.

14. OTHER PROVISIONS OF THE LIMITED PARTNERSHIP AGREEMENT

Term of the Partnership. The Partnership will continue until December 31, 2025 and thereafter from year to year unless dissolved as provided in Section 9.02 of the Partnership Agreement.

Liability of Partners and Indemnification of General Partner and Others. The General Partner is liable to creditors for the debts of the Partnership. However, to the extent permitted by applicable law, none of the General Partner, the Management Company, their respective principals, officers, employees or affiliates, nor any person designated to wind up the affairs of the Partnership pursuant to the Partnership Agreement will be liable for any loss arising out of or in connection with any activity undertaken (or omitted to be undertaken) in connection with the Partnership, except for any liability caused by his, her or its gross negligence, willful misconduct or violations of applicable law. To the extent legally permissible, the Partnership shall, at the request of the General Partner, advance amounts and/or pay expenses as incurred in connection with its indemnification obligation.

The Partnership will, to the fullest extent legally permissible under the laws of the State of Delaware, and other applicable laws including ERISA, indemnify the General Partner, the Management Company, each of their respective principals, officers, employees and affiliates and any persons designated to wind up the affairs of the Partnership pursuant to the Partnership Agreement (each, an "Indemnitee") against any loss, liability or expense incurred or suffered in connection with the good faith performance by the Indemnitee of their responsibilities to the Partnership; provided, however, that an Indemnitee shall not be indemnified for losses resulting from his, her or its own gross negligence, willful misconduct or violations of applicable law.

A Limited Partner who does not take part in the management or control of the business of the Partnership will not be personally liable for any debt or obligation of the Partnership in excess of his Capital Account. Under certain circumstances, a Limited Partner may, under Delaware law, be required to return for the benefit of creditors, amounts previously distributed to him.

Amendment of the Partnership Agreement. The Partnership Agreement may be amended by the General Partner, at its sole discretion, in any manner that does not adversely affect any Limited Partner. The Partnership Agreement may also be amended by action of both the General Partner and Limited Partners owning a majority-in-interest of the Capital Accounts of all the Limited Partners in any manner that does not discriminate among the Limited Partners.

Dissolution of the Partnership. The Partnership may be dissolved at any time by the General Partner, whereupon its affairs shall be wound up by the General Partner. The retirement, dissolution or bankruptcy of the General Partner will dissolve the Partnership unless (i) at such time there is another general partner who agrees to continue the business of the Partnership, or (ii) an entity controlled by Mr. Karsch is substituted as general partner to continue the business of the Partnership. If there is no remaining general partner who agrees to continue the business of the Partnership or an entity controlled by Mr. Karsch is not substituted as general partner, the affairs of the Partnership shall be promptly wound up by the General Partner, or if the General Partner is unavailable, by the person previously designated by the General Partner, or if the General Partner has made no such designation, the person selected by a majority in interest of the Capital Accounts of the Limited Partners. Such person shall take all steps necessary or appropriate to wind up the affairs of the Partnership as promptly as practicable.

Neither the admission of Limited Partners nor the retirement, bankruptcy, death, dissolution, or insanity of any Limited Partner will dissolve the Partnership.

Assignability of Limited Partnership Interests. Neither the interest of any Limited Partner in the Partnership nor any beneficial interest therein is assignable, in whole or in part, without the prior written consent of the General Partner.

Power of Attorney. The General Partner will be granted an irrevocable power of attorney to sign on behalf of each Limited Partner a Certificate of Limited Partnership and any amendments thereto or termination thereof, as well as any documents required by reason of the dissolution of the Partnership or any documents required to be submitted by the Partnership to any governmental or administrative agency, to any securities exchange, board of trade, clearing corporation or association or to any self-regulatory organization or trade association.

Reports to Partners. The Partners will be advised at least quarterly as to the unaudited performance of the Partnership. The books and records of the Partnership will be audited at the end of each fiscal year by a firm of certified public accountants selected by the General Partner, and the Partners will be furnished with audited year-end financial statements (within 90 calendar days as of the end of the fiscal year or as soon as practicable thereafter) including a statement of profit or loss for such fiscal year and of the status of such Partners' Capital Accounts at such time. It is noted that the Partnership's financial statements will be prepared using GAAP as a guideline, unless otherwise deemed appropriate at the sole discretion of the General Partner. The Partnership will not disclose all of its investment positions in its annual financial statements. The Partnership's independent public accountants will be McGladrey & Pullen LLP. The General Partner reserves the right, at its sole discretion, to change independent public accountants without further notice to the Limited Partners. In addition to the foregoing, Limited Partners may receive other periodic reports concerning material portfolio developments, including monthly and weekly estimated net asset value reports.

Fiscal Year and Fiscal Periods. The Partnership has adopted a fiscal year ending on December 31. Since Limited Partners may be admitted or required to retire and additional Capital Contributions or withdrawals may be made during the course of a fiscal year, the Partnership Agreement provides for fiscal periods, which are portions of a fiscal year, for the purpose of allocating net profits and net losses due to changes occurring in Capital Accounts at such times.

15. PROCEDURE FOR BECOMING A LIMITED PARTNER

In order to become a Limited Partner, a prospective Limited Partner should: (i) complete and execute two copies of the Subscription Agreement, inserting the amount of his Capital Contribution, his residence address and his taxpayer identification or social security number; and (ii) return both copies to the Partnership

The General Partner will notify each prospective Limited Partner of the date (the "Admission Date") by which, and the address to which, he will be required to transmit the amount of his Capital Contribution under the Subscription Agreement. Shortly after the Admission Date, the General Partner will return to

each new Limited Partner his copies of the Subscription Agreement and the signature page of the Partnership Agreement as executed by the General Partner.

In order to comply with United States and international laws aimed at the prevention of money laundering and terrorist financing, each prospective investor that is an individual will be required to represent in the Subscription Agreement that, among other things, he is not, nor is any person or entity controlling, controlled by or under common control with the prospective investor, a "Prohibited Person" as defined in the Subscription Agreement (generally, a person involved in money laundering or terrorist activities, including those persons or entities that are included on any relevant lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control, any senior foreign political figures, their immediate family members and close associates, and any foreign shell bank). Further, each prospective investor which is an entity will be required to represent in the Subscription Agreement that, among other things, (i) it has carried out thorough due diligence to establish the identities of its beneficial owners, (ii) it reasonably believes that no beneficial owner is a "Prohibited Person", (iii) it holds the evidence of such identities and status and will maintain such information for at least five years from the date of its complete withdrawal from the Partnership, and (iv) it will make available such information and any additional information that the Partnership may require upon request that is required under applicable regulations.

The General Partner reserves the right to request such further information as it considers necessary to verity the identity of a prospective investor. In the event of delay or failure by the prospective investor to produce any information required for verification purposes, the General Partner may refuse to accept a Capital Contribution until proper information has been provided and any funds received will be returned without interest to the account from which the monies were originally debited.